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C O N F I D E N T I A L TOKYO 9229

E.O. 11652 GDS

TAGS: PINT, JA

SUBJECT: MIKI VISIT PAPER: MIKI'S STANDING AND PROSPECTS

EA/J FOR SHERMAN

1. SEVEN MONTHS AFTER COMING TO POWER, PRIMIN TAKEO MIKI HAS ESTABLISHED A CREDITABLE RECORD OF ACCOMPLISHMENT. THE BUDGET WAS PASSED WITH REMARKABLE HARMONY, THE LDP DID BETTER THAN EXPECTED IN THE LOCAL ELECTIONS, AND TWO LANDMARK ELECTION REFORM BILLS HAVE BEEN PASSED. THROUGH DEPUTY PRIMIN FUKUDA, INFLATION HAS BEEN SHARPLY REDUCED AND THE LID WAS KEPT ON SPRING LABOR DEMANDS. THESE

ACCOMPLISHMENTS SHOULD HAVE ENHANCED MIKI'S STANDING IN THE LDP.

2. PARADOXICALLY, HOWEVER, MIKI NOW FINDS HIMSELF IN DEEPER TROUBLE WITH THE LDP LEADERSHIP AND DIET MEMBERSHIP THAN EVER BEFORE HIS DIFFICULTIES STEM FROM HIS TENACIOUS ESPOUSAL OF CONTROVERSIAL REFORM MEASURES, HIS DIET TACTICS, AND THE INCREASING LIKELIHOOD HE WILL BE AROUND FOR SOMETIME.

3. AT ROOT, MIKI'S PROBLEMS STEM FROM HIS REFUSAL TO PLAY THE ROLE
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SET FOR HIM BY THOSE WHO PUT HIM IN POWER. ON THE HEELS OF TANAKA'S FINANCIAL AND PERSONAL SCANDALS, MIKI WAS CHOSEN FOR HIS "CLEAN" IMAGE AND TO AVERT A PARTY SPLIT BETWEEN THE EVENLY BALANCED SUPPORTERS OF FUKUDA AND OHIRA, THE MAIN CONTENDERS FOR THE PRIME

MINISTERSHIP. HE WAS TO BUY TIME FOR THE PARTY, PERMIT IT TO HEAL ITS WOUNDS AND CONTRIBUTE TO A MILD IMAGE OF PARTY REFORM. HE WAS NOT EXPECTED TO COME UP WITH AN INNOVATIVE PROGRAM OF HIS OWN WHICH MIGHT CONFIRM HIM IN OFFICE, OR TACKLE ECONOMIC PROBLEMS ALREADY BEING CAPABLY HANDLED BY FUKUDA. HE WAS TO BE CARETAKER--A ROLE SUITED TO ONE WITHOUT THE PRIME MINISTERIAL PREREQUISITES OF A POWERFUL FACTION AND SIGNIFICANT SOURCES OF POLITICAL FUNDS.

4. MIKI, ON THE OTHERHAND, SET OUT ON HIS TERM LIKE A FULL-FLEDGED LEADER WITH A THREE-YEAR MANDATE TO EFFECT CHANGES IN GOVERNMENT. ALL BUT IGNORING PARTY REFORM WHICH MIGHT LEAD TO NEW LDP PRESIDENTIAL ELECTIONS AND HIS DEFEAT, HE STARTLED EVERYONE BY PROPOSING THREE IMPORTANT AND HIGHLY CONTROVERSIAL DOMESTIC REFORMS: ELECTION REDISTRICTING, POLITICAL FUNDS CONTROL, AND STIFFENED ANTI-TRUST MEASURES. IN ADDITION, HE CALLED FOR RATIFICATION OF THREE MUCH DEBATED FOREIGN AFFAIRS PACTS.

5. MOREOVER, MIKI IMMEDIATELY ESTABLISHED A NEW DIET STYLE OF "DIALOGUE AND COOPERATION" WITH OPPOSITION PARTIES. THIS HE DECIDED WAS MADE NECESSARY BY HIS LIBERAL POSITION AND WEAK POWER BASE WITHIN HIS OWN PARTY. PUBLICLY, HOWEVER, HE ASSERTED IT WAS UNAVOIDABLE BECAUSE OF THE DIMINISHING LDP DIET MARGIN--ONLY NINE SEATS IN THE UPPER HOUSE. PARTICULARLY GALLING TO MANY OF HIS MORE CONSERVATIVE PARTY COLLEAGUES WERE HIS CONSULTATIONS AND COMPROMISES WITH THE JSP LEADERSHIP. FROM A STANDPOINT OF BOTH SUBSTANCE AND METHOD, MIKI WAS ON A COLLISION COURSE WITH IMPORTANT ELEMENTS OF THE LDP.

6. THIS WAS CONFIRMED IN THE DRAMATIC CLOSING DAYS OF THE DIET SESSION. ON EACH OF THE IMPORTANT DOMESTIC REFORMS MIKI EMPLOYED A SIMILAR STRATEGY: HE FIRST GARNERED OPPOSITION PARTY--PARTICULARLY JSP--SUPPORT TO THE EXTENT POSSIBLE, AND THEN USED IT TO JUKO THE LDP INTO ACQUIESCENCE. FOR EXAMPLE, MIKE USED THIS TECHNIQUE TO BRING THE EXTREMELY CONTROVERSIAL ANTI-TRUST BILL VERY NEAR TO PASSAGE AFTER THE LDP LEADERSHIP HAD PUBLICLY "ABANDONED" IT. WHEN TWO URGENT FINANCIAL BILLS WERE VICTIM TO CONFIDENTIAL

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PASSAGE OF TWO OF MIKI'S ELECTION REFORM BILLS, HOWEVER, GATHERING FRUSTRATION WITHIN THE LDP BURST. FINANCE MINISTER OHIRA, NOMINALLY RESPONSIBLE, WAS PARTICULARLY OUTRAGED. BUT SIGNIFICANTLY, HE HAS DECIDED NOT TO CHANCE LEAVING THE CABINET.

7. A FURTHER PARADOX IS THAT MIKI'S POSITION AS PRIME MINISTER SEEMS REASONABLY SECURE DESPITE THE DEEPSEATED AND WIDESPREAD DISSATISFACTION WITH HIM INSIDE THE LDP. THIS IS BECAUSE THE BALANCE OF STRENGTH BETWEEN FUKUDA AND OHIRA FORCES PERSISTS. BOTH MEN APPARENTLY ARE UNWILLING TO LEAVE THE CABINET, THE NORMAL FIRST STEP IN CHALLENGING A RULING PRIME MINISTER, FOR FEAR OF LEAVING THE FIELD TO THE OTHER. IN ADDITION, BOTH ARE HAVING DIFFICULTY WITH THEIR FACTIONS. LEADERS OF THE TWO OTHER LARGE FACTIONS, WHO

THUS ARE PRIME MINISTERIAL ASPIRANTS, ALSO HAVE IMPORTANT DISQUALIFICATIONS -- TANAKA BECAUSE OF HIS RECENT EXIT IN SCANDAL AND NAKASONE BECAUSE OF HIS RELATIVE YOUTH (HE IS STILL IN HIS FIFTIES) AND HIS ALLIANCE WITH MIKI. FINALLY, THE MOST OFTEN MENTIONED COMPROMISE CANDIDATE, SHIGERU HORI, IS "TOO OLD" (OVER SEVENTY) AND LACKS BOTH MIKI'S CLEAN IMAGE AND UNITED SUPPORT WITHIN THE LDP. THERE IS, IN SUM, NO OBVIOUS POTENTIAL CHALLENGER FOR THE PRESENT.

8. ANY RIVAL WILL NEED AN OCCASION FOR CHALLENGING MIKI. THE RECENT DIET SESSION, DESPITE ITS CONTROVERSY, HAS NOT COME AND GONE WITHOUT PROVIDING THAT CHALLENGE. AN EXTRAORDINARY DIET SESSION-- IF HELD AS NOW EXPECTED IN SEPTEMBER -- MIGHT PROVE TO BE SUCH AN OCCASION, BUT THE ODDS ARE SLIM ESPECIALLY IF ONLY BUDGET-RELATED ITEMS ARE CONSIDERED. A CHANGE IN PROCEDURES FOR ELECTING AN LDP PRESIDENT (AND PRIME MINISTER) MIGHT GIVE CLEAR ADVANTAGE TO FUKUDA OR OHIRA, BUT SUCH A CHANGE NOT SEEN IN THE OFFING.

9. A TRADITIONAL OCCASION TO CHALLENGE IS A POOR PARTY SHOWING IN A GENERAL ELECTION, BUT HERE TOO THE DECK MAY BE STACKED IN MIKI'S FAVOR. HIS AUGUST WASHINGTON TRIP IS ALMOST CERTAIN TO INCREASE HIS STANDING AND PRESTIGE. A SUCCESSFUL OCTOBER U.S. VISIT BY THE EMPEROR WILL ALSO HELP. MORE IMPORTANT, OBSERVERS GENERALLY AGREE THE ECONOMY WILL BE IN OPTIMUM SHAPE FOR AN ELECTION IN LATE 1975-EARLY 1976. OF SO, MIKI MAY ACHIEVE NOT ONLY A CLEAR PUBLIC MANDATE, BUT ALSO COULD CONCEIVABLY RECEIVE CREDIT FOR ARRESTING THE LONG-BUILDING (23 YEARS) "REFORMIST TIDE". THESE ARE ALL REASONS FOR OPTIMISM ABOUT MIKI'S PROSPECTS.
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10. AT THE SAME TIME, A GENERAL ELECTION-- NOW WIDELY ANTICIPATED IN NOVEMBER DECEMBER-- COULD ALSO AFFECT THE FACTIONAL BALANCE WITHIN THE LDP, PERHAPS GIVING A CLEAR ADVANTAGE TO EITHER FUKUDA OR OHIRA. IF SO, THE SEARCH FOR AN OCCASION TO TOPPLE MIKI COULD BEGIN IN EARNEST, BUT THAT WOULD NOT BEGIN UNTIL NEXT YEAR AT THE EARLIEST. THUS FOR THE NEXT SIX MONTHS OR SO, MIKI SEEMS SECURE ENOUGH. AND, GIVEN HIS PERFORMANCE THUS FAR, WE ARE AMONG THOSE WHO EXPECT HIM TO LAST AT LEAST SEVERAL MONTHS LONGER.
HODGSON

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